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ABSTRACT

This unit on developing the business plan, the third in a series of 18 modules, is on the second level of the revised PACE (Program for Acquiring Competence in Entrepreneurship) comprehensive curriculum. Geared to advanced secondary and beginning postsecondary or adult students, the modules provide an opportunity to learn about and try out entrepreneurship ideas so that students can make a preliminary assessment of how these ideas relate to personal needs. The units on this level contain detailed explanations of small business principles, suggestions on how to find information and use techniques, and encouragement for creating a future business. Students completing this unit should be able to perform these competencies: (1) recognize how a business plan contributes to entrepreneurship and (2) review the questions that should be answered in a business plan. The unit is organized into five sections. Following a preliminary section on how to use the unit (with vocabulary and a review of the objectives for this topic on level 1), the unit's information is presented in question-and-answer format. Individual and group activities, an assessment to be completed with the teacher, and sources used to develop the unit follow. A list of the modules of Revised PACE, Level 2 completes the unit. (KC)

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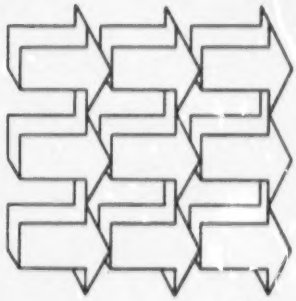
PACE
REVISED
Program for Acquiring Competence in Entrepreneurship



UNIT 3

☐ Level 1
☑ Level 2
☐ Level 3

# Developing the Business Plan

Developed by M. Catherine Ashmore and Sandra G. Pritz

**You will be able to:**

- **Recognize how a business plan contributes to entrepreneurship.**
- **Review the questions that should be answered in a business plan.**

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Research & Development Series No. 240 BB 3

## BEFORE YOU BEGIN. . .

1. Consult the *Resource Guide* for instructions if this is your first PACE unit.

2. Read the Unit Objectives on the front cover. If you think you can meet these objectives now, consult your instructor.

3. These objectives were met at Level 1:

   - Identify the reasons for planning for entrepreneurship
   - Identify the components of a business plan
   - Complete a business plan worksheet

   If you feel unsure about any of these topics, ask your instructor for materials to review them.

4. Look for these business terms as you read this unit. If you need help with their meanings, turn to the Glossary in the *Resource Guide*.

   business plan
   sales

## DEVELOPING THE BUSINESS PLAN

**WHAT IS THIS UNIT ABOUT?**

This unit is designed to explain the importance of the Business Plan, including how the Plan contributes to entrepreneurship. You will have a chance to talk with entrepreneurs and lending agency representatives to get their ideas on the importance of a Business Plan.

You will learn about the questions that should be answered in a Business Plan—a procedure that should prove helpful when you develop your own plan. You should be thinking ahead to the preparation of your own Business Plan as you develop a set of steps that you will follow to complete your plan.

You will check your learning by completing a short objective test and by evaluating actual Business Plans to see how well they answer the recommended questions.

This is a key unit in the PACE series, and you will return to the questions here as you complete other units in the series. The information that you collect or develop in the other units will all contribute to the development of a Business Plan, if you decide to open your own business.

**HOW DOES A BUSINESS PLAN HELP ENTREPRENEURS?**

Each year, in good times and bad, thousands of Americans try to realize the dream of owning their own business. Many of theses businesses fail.

Do you know why most of these businesses fail? They fail because the entrepreneurs didn't plan carefully before they opened the business. It is tragic to realize that many—if not most—entrepreneurs charge headlong into opening the doors of their new businesses, thinking they will be able to learn as they go. These owners need to know that a Business Plan on paper could have helped them before they opened the business.

**A Business Plan leads to a sound business structure.** The Business Plan leads to a sound business structure because it requires the future owner to examine the various types of legal business organizations. The Plan provides the opportunity to consider alternatives and select the best one for the type of business and the owner's needs. After careful consideration of the types of business structures available, the future owner is in a better position to balance personal needs against the advantages and limitations of each type of organization.

**A Business Plan produces a marketing plan.** The marketing plan or set of procedures identifies the company's typical customers, and how to attract and keep them. This plan is developed shortly after the idea for the business appears.

The marketing plan is vital to the success of the business. It is often a weak part of the Business Plan because it takes so much time. Lending agencies sometimes do not review the marketing plan as carefully as they look at the financial plan, but you should not treat this portion of the Business Plan lightly. Thinking through every aspect of the marketing strategy in advance will help you decide how the new business can be superior to the competition.

**A Business Plan clarifies financial needs.** The Business Plan clarifies the financial needs of the business. It will receive careful review by the bankers, lending agencies, or individuals who might make money available to start the business. You will be estimating your monthly business income for the first year, and your quarterly income for the second and third years.

The financial plan includes an estimate of the dollars needed to open the business and to sustain it for eighteen months. The annual and monthly flow of cash must be projected for the first year of operation. The sales volume required to produce the anticipated cash must be calculated.

Financial agencies want to see a statement of opening assets (property), liabilities (debts) and net worth (amount of investment money being used by the company). And they want to know how much money you need to borrow and what your personal financial situation is.

It's a big order isn't it? But it's critical and almost no one is permitted to open a business without it.

The Business Plan will help you work through all of the financial details to see whether there is a good chance that the business can become profitable within a year or 18 months.

**A Business Plan identifies management pathways.** The Business Plan helps you identify your management needs and provides a path for you to follow while the business is young. Actually, the management plan for the first year of operation is the heart of the Business Plan. You will include plans for organizing the business, supervising employees, controlling finances, conforming to government regulations, and assuming the role of owner/manager in the firm.

**A Business Plan serves as a communication tool.** Finally, your Business Plan will become an important communications tool. It will serve as a means of orienting investors, training personnel, and briefing suppliers to the business. All of these persons need to find out about your business. A well-prepared Business Plan will say it for you clearly and concisely.

## WHAT INFORMATION SHOULD A BUSINESS PLAN INCLUDE?

A great deal of information, some of it quite detailed, needs to be included in the Business Plan. Before you can develop a Plan, you need to become familiar with the information. You will understand the Plan more clearly if you remember that it contains four major sections, each describing an important part of the business.

I. Description of the Business
II. Marketing Plan
III. Organization Plan
IV. Financial Plan

Eventually, you will be collecting materials for your own Business Plan. For now, you need to know only what kinds of information to seek for each section. To help you become familiar with the Plan, a number of questions are asked about each of the four sections. After you become familiar with the questions that each section should answer, you will analyze a sample Business Plan to see how well it answers the questions.

Here are the questions:

I. Description of the Business

- What type of business are you planning(retail, wholesale, service)?
- What product or service will you sell?
- What type of business opportunity is it (new, part-time, expansion, seasonal, year-round)?
- Why does it promise to be successful?
- What are the growth opportunities?

II. Marketing Plan

- Who are your potential customers?
- How will you attract and hold your share of the market?
- How will you promote sales?
- Who are your best suppliers?
- Who are your competitors? How are their businesses prospering?
- How will you promote sales?
- Who are your best suppliers? Why?
- Where will the business be located?
- What factors should influence your choice of location?
- What are the features of your location?
- How does your building contribute to your marketing plan?
- What are the features of your building layout?

III. Organization Plan

- Who will manage the business?
- How is your manager(s) qualified?
- How many employees will you need? To do what?
- What are your plans for employee hiring, salaries, benefits, training, and supervision?
- How will you manage finances?
- How will you manage record keeping?
- What consultants or specialists will you need? For what?
- What legal form of ownership will you choose? Why?
- What licenses and permits do you need?
- What regulations will affect your business?

IV. Financial Plan

- What is your estimated business income for the first year? Monthly for the first year?
- Quarterly for the second and third years?
- What will it cost you to open your business and sustain it for its first 18 months of operation?
- What will be your monthly cash flow during the first year? Quarterly cash flow for the second and third years?
- What are your personal monthly financial needs?
- What sales volume will you need in order to make a profit during the first three years?
- What is your break-even point?
- What will be your projected assets, liabilities, and net worth on the day before you expect to open?
- What is the capital value of your equipment?
- What are your total financial needs?
- What are your potential funding sources? How will you use the money from lenders or investors?
- How will the loan be secured?

## ACTIVITIES

Do you feel you have enough information to develop a business plan? Will you be able to design one of your own? The following activity will help you understand a real business plan.

### INDIVIDUAL ACTIVITY

Your instructor will give you a Business Plan Checksheet. On the following pages you will find a sample Business Plan. Search the Business Plan for the answers to the questions and record each answer briefly on the Checksheet.

Discuss your findings with your teacher or class members. Decide whether the Business Plan answers are clear and complete. Evaluate the Business Plan as though you were the lending agency.

**SAMPLE**

**BUSINESS PLAN**

**FOR**

**MARINER'S CATCH SEAFOODS, INC.**

**Submitted to**
**The Back Bay National Bank**

**and**

**The Small Business Administration**

Frank Swanson
Marian Switzer
801 Fisherman's Harbor Road
Conway, RI 03674
602-740-2360

October 1, 19--

## Statement of Purpose

MARINER'S CATCH SEAFOODS, INC. is seeking a loan of $36,000 to purchase equipment and inventory; purchase property and buildings at 801 Fisherman's Harbor Road, Conway, RI; perform necessary renovations and improvements; maintain sufficient cash reserves; and provide adequate working capital to expand an existing wholesale/ retail seafood market. This sum, together with the $10,000 equity investment of the principals, will be sufficient to finance transition through the expansion phase so the business can operate at a profit.

## I. DESCRIPTION OF BUSINESS

MARINER'S CATCH SEAFOODS, INC. is a fish market that specializes in selling extremely fresh (no more than one day from the boat) seafood to both retail and wholesale customers. At present, 60 percent of sales are to retail customers. We plan to concentrate more heavily on the wholesale trade (restaurants and grocery chains) in the future. Our experience has shown that even though the markup is lower for wholesale trade, profits are higher due to lower personnel costs and faster turnover of inventory.

The company began business four years ago and is open seven days a week, from 10:00 a.m. to 8:30 p.m. for retail business, and from 6:00 a.m. to 8:30 p.m. for wholesale. The retail demand is seasonal and fluctuates according to weather (our store is located on a tourist route). The wholesale demand is consistent and increasing. We feel that the latter can be improved by more direct selling. Our customers agree. The quality of our seafood is exceptional and, since Mr. Swanson is a former fisherman with many personal friends in the fishing industry, we do not anticipate difficulty maintaining good relations with our suppliers. We have made a policy of paying premium prices in cash at dockside for the best, freshest fish.

## II. MARKETING PLAN

MARINER'S CATCH SEAFOODS, INC. will continue to provide premium quality seafoods to both wholesale and retail customers emphasizing the former. Our goal is to provide the freshest seafood at competitive prices to customers within 25 miles of Conway. This market has a total population of over 100,000 people and a potential of 300 wholesale customers. Customers will be attracted by: (1) direct approach to restaurants and market, (2) a local radio and newspaper advertising campaign, (3) word-of-mouth advertising from our current customer base, and (4) our location on a heavily traveled tourist route.

### Competition

There are three seafood operations directly competing with MARINER'S CATCH SEAFOODS, INC.

(1) Freuhoff's Fish—scattered operation with one truck making the rounds and a small counter leased from a supermarket in Rockaway Village. We have cut into their sales by making promised deliveries on time at the agreed price. As a result, their operation has become marginal.

(2) The Kingfish—clean, three-person operation specializing in cheaper fish. Have trouble with their suppliers because they aren't willing to pay top dockside prices. Otherwise, sell directly to housewives from a fleet of three trucks, some wholesale trade that they hope to expand. Their sales are apparently expanding because they have been serving the same routes for five years and have an excellent reputation. Located in Portsmouth.

(3) Jonah's Seafoods—good relations with suppliers, have most of the supermarket trade, no retail. Currently rebuilding due to fire, but will be our most serious competition when the new store opens. Twenty-five years of experience in the area, good location on scenic bridge over the Inlet two miles south of MARINER'S CATCH on tourist route; plan to open retail store and may be willing to give up part of wholesale since the owner is getting on in years.

The indirect competition is from the major processors in New Hope (45 miles east) and Bristol (60 miles south). Since we fall between their primary market areas, we can purchase from both on a consignment basis.

### Location

MARINER'S CATCH is currently leasing a one-story, wooden frame building with cement floor (22,000 square feet) at 801 Fisherman's Harbor Road, Conway, Rhode Island, for $175 per month with an option in writing to buy at $22,000. The area is zoned for commercial use. Fisherman's Harbor Road is part of U.S. Route 1, a heavily traveled tourist route with most businesses nearby catering to the tourist trade.

MARINER'S CATCH has performed major leasehold improvements, including a walk-in freezer and rough-sawn, pine board walls. The building is divided into: (1) sales/counter area (1,200 square feet); (2) cutting area (100 square feet); and (3) other (space for toilet, potential storage and/or sales area, totaling 700 square feet).

## III. ORGANIZATION PLAN

### Management

Mr. Swanson was born in Conway and has lived there all his life. After graduating from Conway schools and serving in the U.S. Navy for three years, he became a self-employed fisherman, taking evening courses in small business management and sales at R.I. State, with the ultimate aim of owning and managing a retail store. He also serves as a member of the zoning board for Conway.

Ms. Switzer was born in Milwaukee, Wisconsin, in 1950, attended schools in Utah, Alaska, and Florida, and served four years in the Marines (rank upon separation, E-3). She test-drove motorcycles for a year, then served as Parts Manager for Moped Cycles, Inc., before joining the CASH & HAUL FOODSTUFF, INC., as a packer in March 1973 in their Kennebunkport, Maine plant. In June, 19— she resigned as line foreman of the Frozen Food Filleting Department to join Swanson in the MARINER'S CATCH operation. She lives in Inlet Bay.

Both are healthy and energetic; they believe their abilities complement each other and will permit them to make MARINER'S CATCH a success. In particular, Swanson knows all of the fishermen while Switzer has had experience in cost control and line management. He will be responsible for the store and inventory control. Switzer will be primarily responsible for the development of the wholesale business and, with Swanson, will set policy. Personnel decisions will be made jointly.

Salaries will be $215 a month for the first year to enable the business to pay off startup costs. (Swanson's wife earns enough to support his family; Switzer's personal expenditures are very low, since she shares a house with five other adults.) In the second year the managers will earn $600 a month; in the third year $660 a month, with any profit returned to the business.

In order to augment their skills, Switzer and Swanson have enlisted the help of Edward Allen, a CPA, and of James Woodall, Attorney. Other potential resources have been located, including the Conway Business Information Center (Andrew Beale), Rhode Island State's Venture Incubator Division, the Small Business Association of New England, and the Fish Retailers Organization for Growth (FROG). Marshall Campbell, a retired Conway banker, has agreed to serve on the MARINER'S CATCH board and will provide ongoing management review. Other members of the board are Allen, Woodall, Switzer, and Swanson.

## Personnel

MARINER'S CATCH will hire one part-time salesperson within six months. The salesperson's duties will be selling seafoods over the counter to the retail customers. He or she will be paid the minimum wage ($3.70) for weekend work; no fringe benefits or overtime are anticipated. They will also employ, on an as-needed basis, one cutter at $3.75/hour to help prepare seafood for the wholesale trade.

### Switzer's Experience

March 19-- - June 19--: Two years as line foreman, CASH & HAUL FOODSTUFF, INC., Kennebunkport, Maine. Responsible for hiring, training and directing operations of 15 persons in Frozen Fish Filleting department. Rescheduled work flow with resultant 30 percent increase in output per worker. Implemented new purchasing system that reduced spoilage by 8 percent. Reduced personnel turnovers by working with local union for revision of company contract policy, and by shifting from production line to team task approach. Received CASH & HAUL FOODSTUFF, INC., award for line management and was given special assignment to explain these changes to other line foremen at all 22 company plants in New England and the Middle Atlantic states.

### Swanson's Experience

Frank Swanson is a former fisherman in the area with many personal friends in the fishing industry and good relationships with seafood industry suppliers. He is a native of Conway and has lived here all his life—except for three years in the U.S. Navy after high school graduation. He supported himself for several years as a self-employed fisherman while he took evening classes in retail store management and small business management. He is healthy, energetic, and well-liked. He will be responsible for store management, company policy, and inventory control.

## IV. FINANCIAL PLAN

### Application and Expected Effect of Loan

The 36,000 will be used as follows:

| | | |
|---|---|---|
| Purchase of 801 Fisherman's Harbor Road property | | $22,000 |
| Equipment: | • '71, Ford pickup with insulated body | 1,885 |
| | • Dayton compressor (used, serial no. 45-cah-990) | 115 |
| | • Sharp Slicer (used, Speedy model) | 200 |
| Renovations | | 4,000 |
| Working capital | | 4,000 |
| Inventory | | 500 |
| Reserve (not disbursed) | | 3,300 |
| | TOTAL | $36,000 |

MARINER'S CATCH SEAFOODS, INC., can purchase the 801 Fisherman's Harbor Road property at a substantial savings under terms of the lease/purchase agreement signed July, 19-- . An independent appraiser has calculated the value of the property, including leasehold imporvements by MARINER'S CATCH, at $30,000. The monthy payment for a 12-year mortgage will be $250 a month, a net increase of $75 a month over the current rent. See FINANCIAL DATA for the effect on the business.

The truck will be used to deliver merchandise to wholesale customers, retard spoilage, and maintain the quality of our merchandise.

The compressor will replace the compressor now used for the refrigeration unit and should lower electric costs.

The slicer will eliminate four person-hours of work daily. The time released will be used for soliciting more business and processing a greater volume of whole fish. With the slicer, relatively untrained help can fillet flounder with minimal waste.

The renovations are: a deep well (water) required by the state; a toilet and wash sink separate from the work area; and replacement of the current obsolete heating system, thus reducing fuel expenses.

The working capital will enable MARINER'S CATCH to meet current expenses, offset negative (seasonal) cash flow as shown in the Working Capital Analysis in FINANCIAL DATA, and insure the continued growth of the business.

The inventory is to take advantage of bulk rates on certain fresh frozen packaged goods (baitfish, South African lobster tails).

The reserve will be held by the bank as a line of credit to be used to take advantage of special opportunities or to meet emergencies.

## Summary

MARINER'S CATCH SEAFOODS, INC., can purchase the 801 Fisherman's Harbor Road property at a substantial savings under terms of the lease/purchase agreement signed July, 19-- . An independent appraiser has calculated the value of the property, including leasehold improvements by MARINER'S CATCH, at $30,000. The monthy payment for a 12-year mortgage will be $250 a month, a net increase of $75 a month over the current rent. See FINANCIAL DATA for the effect on the business.

Careful analysis of the potential market shows an unfilled demand for exceptionally fresh seafood. Switzer's local reputation will help secure a sizeable protion of the wholesale market, while Swanson's managerial experience assures that the entire operation will be carefully controlled. In addition to a working board, Switzer's studies at Rhode Island State will provide even more control over the projected growth of MARINER'S CATCH.

The funds sought will result in a greater increase in fixed assets than may be shown, as Switzer will be performing much of the renovation and improvements. The additional reserve and working capital will enable MARINER'S CATCH to increase their sales substantially while maintaining profit.

FINANCIAL DATA

MARINER'S CATCH SEAFOODS, INC.

Sources and Applications of Financing

| | | |
|---|---|---|
| **Sources** | | |
| Bank Loans: | | |
| 1. Mortgage loan | $22,000 | |
| 2. Term loan | 10,700 | |
| 3. Reserved loan | 3,300 | |
| Total | | $36,000 |
| **Applications** | | |
| Purchase building | $22,000 | |
| Equipment | 2,200 | |
| Renovations | 4,000 | |
| Inventory | 500 | |
| Working capital | 4,000 | |
| Reserve for contingencies | 3,300 | |
| Tctal | | $36,000 |

To be secured
by
Assets of the Business
Signatures of the Principals
Marian Switzer
Frank Swanson

SBA Guarantee

MARINER'S CATCH SEAFOODS, INC.
CAPITAL EQUIPMENT LIST

| Major Equipment and Normal Accessories | Model | Cost or List Price (Lower) |
|---|---|---|
| Storequip, Inc., display case, glass front refrigerated | Handmade | $ 200 |
| Storequip, Inc., display case, glass front, ice | SST6-77K | 400 |
| Dayton air compressor | #45-cah-990 | 115 |
| Bendix standing freezer | 3979-7584 | 125 |
| Nameless, Inc., standard freezer | - | 50 |
| Cleaning table, fiberglassed | Handmade | 200 |
| Freezing locker & compressor | Handmade | 3,000 |
| | TOTAL: | $4,290 |
| **Minor Shop Equipment** | | |
| Miscellaneous knives, scalers, etc. | - | $ 75 |
| Miscellaneous display trays, storage boxes | - | 50 |
| | TOTAL: | $ 125 |
| **Other Equipment** | | |
| Pickup truck with insulated body | 1971 Ford, Lo-bed | $1,885 |
| Safe | 1879 Mosler | 100 |
| Cash register | 1869 NCR | 50 |
| Calculator | TI-120 | 65 |
| Light fixture | Custom design | 100 |
| | TOTAL: | $2,200 |
| CAPITAL EQUIPMENT | TOTAL: | $6,615 |

MARINER'S CATCH SEAFOODS, INC.

BEGINNING BALANCE SHEET

October 15, 19__

| | | | |
|---|---|---|---|
| **Current Assets** | | **Current Liabilities** | |
| Cash | $ 530 | Accounts payable | $ 2,077 |
| Accounts receivable (net) | 100 | Current portion LTD | 1,440 |
| Merchandise inventory | 700 | Total Current Liabilities | $ 3,517 |
| Supplies | 175 | | |
| Prepaid expenses | 80 | **Long-Term Liabilities** | |
| Total Current Assets | $ 1,585 | Notes payable (a) | $ 535 |
| **Fixed Assets** | | Bank loan payable (b) | 1,360 |
| Fixtures & leasehold improvements | $ 3,750 | Equity loan payable (c) | 1,250 |
| Building (freezer) | 3,000 | Total Long-term Liabilities | $ 3,145 |
| Equipment | 1,100 | Total Liabilities | $ 6,662 |
| Trucks | 2,500 | Net Worth: Owner Equity | $ 5,273 |
| Total Fixed Assets | $10,350 | | |
| TOTAL ASSETS | $11,935 | TOTAL LIABILITIES AND NET WORTH: | $11,935 |

| | | |
|---|---|---|
| **Accounts payable:** | Cleaver's, Inc. | $1,700 |
| | Dosser's | 119 |
| | Paxton | 180 |
| | Conway Reefer | 78 |
| | | $2,077 |

(a) Dave N. Hall for electrical work
(b) Term loan secured by '64 Jeep, '71 Ford
(c) S & C Greer Finance Corp. Belmont, N.H.

## BREAK-EVEN ANALYSIS

The proprietors of MARINER'S CATCH utilized the following formula:

Fixed Costs (FC) = $1,625 per month
Variable Costs (VC) = 70% of gross sales (from experience)
Gross Margin (GM) = 30% of sales (100% - 70% = 30%) 30% = .30

Thus: Sales (S) = FC ÷ GM
S = $1,625 ÷ .30
S = $5,416.67

Seeking a more conservative figure, we can use a gross margin of 22 percent instead of 30 percent:

Thus: S = FC ÷ GM
S = $1,625 ÷ .22
S = $7,386.36

The figure $7,386.36 represents the level of sales needed to break even per month. By cutting costs (mainly by reducing their draw to a bare minimum) fixed costs are recalculated at $1,100.

Thus: S = FM ÷ GM
S = $1,100 ÷ .22
S = $5,000

To calculate how many units we need to sell each month, the break-even sales level of $5,000 can be divided by the average unit selling price ($3); this represents 1,667 units per month. Furthermore if we consider that a customer purchases two units once a week, and we if assume an average of 4.3 weeks per month, we can calculate the number of customers needed to break even as 194 per month. This seems a reasonable figure, giving credibility to the break-even sales level of $5,000 per month.

ANNUAL PROJECTED
INCOME STATEMENT

MARINER'S CATCH SEAFOODS, INC.

Three-Year Summary

| | Year I | Year II | Year III |
|---|---|---|---|
| Sales | | | |
| Wholesale | $27,400 | $ 68,800 | $ 84,000 |
| Retail | 40,400 | 91,000 | 91,000 |
| Total: Sales | 67,800 | 159,800 | 175,000 |
| Cost of material | 52,884 | 124,625 | 136,550 |
| Variable labor cost | 900 | 3,250 | 5,200 |
| Cost of goods sold | 53,784 | 127,875 | 141,750 |
| Gross margin | 14,016 | 31,925 | 33,250 |
| Operating Expenses | | | |
| Utilities | 1,200 | 1,680 | 1,920 |
| Salaries | 5,160 | 14,400 | 16,000 |
| Payroll taxes and benefits | 480 | 1,360 | 1,360 |
| Advertising | 480 | 720 | 720 |
| Office supplies | 120 | 180 | 180 |
| Insurance | 600 | 600 | 600 |
| Maintenance & cleaning | 240 | 300 | 300 |
| Legal & accounting | 500 | 740 | 740 |
| Delivery expense | 1,320 | 1,802 | 1,764 |
| Licenses | 60 | 60 | 60 |
| Boxes, paper, etc. | 120 | 240 | 240 |
| Telephone | 600 | 720 | 720 |
| Depreciation | 480 | 480 | 840 |
| Miscellaneous | 275 | 400 | 400 |
| Total: Operating expenses | 11,640 | 23,682 | 25,404 |
| Other: Expenses | | | |
| Interest (mortgage) 9.75% | 2,160 | 2,160 | 2,160 |
| Interest (loan) 10.75% | 900 | 900 | 900 |
| Total: Other expenses | 3,060 | 3,060 | 3,060 |
| Total: All expenses | 14,700 | 26,742 | 28,500 |
| Net profit (loss) before taxes | (684) | 5,183 | 4,750 |

# MONTHLY CASH FLOW PROJECTION

MARINER'S CATCH SEAFOODS, INC.
October 19__ to September 19__

| | Oct. | Nov. | Dec. | Jan. | Feb. | Mar. | Apr. | May | June | July | Aug. | Sep. | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Cash Receipts | | | | | | | | | | | | | |
| Income from sales | | | | | | | | | | | | | |
| Wholesale | 1,000 | 1,200 | 1,400 | 1,600 | 1,800 | 2,200 | 2,400 | 2,800 | 3,100 | 3,100 | 3,300 | 3,500 | 27,400 |
| Retail | 3,000 | 3,100 | 3,100 | 2,900 | 2,700 | 2,800 | 3,300 | 3,700 | 3,900 | 3,900 | 4,000 | 4,000 | 40,400 |
| Total: Cash receipts | 4,000 | 4,300 | 4,500 | 4,500 | 4,500 | 5,000 | 5,700 | 6,500 | 7,000 | 7,000 | 7,300 | 7,500 | 67,800 |
| Cash disbursements | | | | | | | | | | | | | |
| Cost of goods | 3,120 | 3,354 | 3,510 | 3,510 | 3,510 | 3,900 | 4,446 | 5,070 | 5,460 | 5,460 | 5,694 | 5,850 | 52,884 |
| Variable labor | | | | | | | | 200 | 200 | 200 | 200 | 100 | 900 |
| Advertising | 100 | 25 | 25 | 25 | 25 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 480 |
| Insurance | | | 150 | | | 150 | | | 150 | | | 150 | 600 |
| Legal & accounting | | 125 | | | 125 | | | 125 | | | 125 | | 500 |
| Delivery expense | 80 | 85 | 90 | 95 | 100 | 110 | 110 | 120 | 130 | 130 | 135 | 135 | 1,320 |
| Fixed cash disbursements | 688 | 688 | 688 | 688 | 688 | 688 | 688 | 688 | 688 | 688 | 688 | 688 | 8,256 |
| Loan #1 | 145 | 145 | 145 | 145 | 145 | 145 | 145 | 145 | 145 | 145 | 145 | 145 | 1,740 |
| Mortgage | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 250 | 3,000 |
| Total cash disbursements | 4,383 | 4,672 | 4,858 | 4,713 | 4,843 | 5,283 | 5,679 | 6,638 | 7,063 | 6,913 | 7,277 | 7,358 | 69,680 |
| Net cash flow | (383) | (372) | (358) | (213) | (343) | (283) | 21 | (138) | (63) | 87 | 23 | 142 | (1,880) |
| Cumulative cash flow | (383) | (755) | (1,113) | (1,326) | (1,669) | (1,952) | (1,931) | (2,069) | (2,132) | (2,045) | (2,022) | (1,880) | |

| Fixed cash disbursements | |
|---|---|
| Utilities | 100 |
| Salaries | 430 |
| Payroll taxes & benefits | 40 |
| Office supplies | 10 |
| Maintenance & cleaning | 20 |
| Licenses | 5 |
| Boxes, paper, etc. | 10 |
| Telephone | 50 |
| Miscellaneous | 23 |
| | $688 |

| Cash on hand: | | |
|---|---|---|
| Loan proc. | 4,000 | |
| Cash | 535 | |

| | | | | | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| Opening Balance | 4,535 | 4,152 | 3,780 | 3,422 | 3,209 | 2,866 | 2,583 | 2,604 | 2,466 | 2,403 | 2,490 | 2,513 | |
| + Cash receipts | 4,000 | 4,300 | 4,500 | 4,500 | 4,500 | 5,000 | 5,700 | 6,500 | 7,000 | 7,000 | 7,300 | 7,500 | |
| Total new balance | 4,152 | 3,780 | 3,422 | 3,209 | 2,866 | 2,583 | 2,604 | 2,466 | 2,403 | 2,490 | 2,513 | 2,655 | |

# QUARTERLY CASH FLOW PROJECTION

MARINER'S CATCH SEAFOODS, INC.
Quarterly for Years 2 and 3

| | 1st QTR Year 2 (Dec) | 2nd QTR Year 2 (Mar) | 3rd QTR Year 2 (Jun) | 4th QTR Year 2 (Sept) | TOTAL Year 2 | 1st QTR Year 3 (Dec) | 2nd QTR Year 3 (Mar) | 3rd QTR Year 3 (Jun) | 4th QTR Year 3 (Sept) | TOTAL Year 3 |
|---|---|---|---|---|---|---|---|---|---|---|
| Cash receipts | | | | | | | | | | |
| Income from sales | | | | | | | | | | |
| Wholesale | 14,800 | 16,000 | 18,000 | 20,000 | 68,000 | 18,000 | 20,000 | 22,000 | 24,000 | 84,000 |
| Retail | 21,000 | 21,000 | 22,000 | 27,000 | 91,000 | 21,000 | 21,000 | 22,000 | 27,000 | 91,000 |
| Total: Cash receipts | 35,800 | 37,000 | 40,000 | 47,000 | 159,800 | 39,000 | 41,000 | 44,000 | 51,000 | 175,000 |
| Cash disbursements | | | | | | | | | | |
| Cost of goods | 27,925 | 28,850 | 31,200 | 36,650 | 124,625 | 30,450 | 32,000 | 34,300 | 39,800 | 136,550 |
| Variable labor | 750 | 750 | 750 | 1,000 | 3,250 | 1,000 | 1,200 | 1,500 | 1,500 | 5,200 |
| Advertising | 180 | 180 | 180 | 180 | 720 | 180 | 180 | 180 | 180 | 720 |
| Insurance | 150 | 150 | 150 | 150 | 600 | 150 | 150 | 150 | 150 | 600 |
| Legal & accounting | 185 | 185 | 185 | 185 | 740 | 185 | 185 | 185 | 185 | 740 |
| Delivery expense (1) | 387 | 420 | 471 | 524 | 1,802 | 378 | 420 | 462 | 504 | 1,764 |
| Fixed cash disbursements | 4,772 | 4,805 | 4,856 | 4,909 | 19,342 | 5,263 | 5,305 | 5,347 | 5,389 | 21,304 |
| Loan #1 | 435 | 435 | 435 | 435 | 1,740 | 435 | 435 | 435 | 435 | 1,740 |
| Mortgage | 750 | 750 | 750 | 750 | 3,000 | 750 | 750 | 750 | 750 | 3,000 |
| Total cash disbursements | 35,660 | 36,585 | 38,935 | 44,635 | 155,815 | 38,935 | 40,685 | 43,285 | 48,785 | 171,690 |
| Net cash flow | 140 | 415 | 1,065 | 2,365 | | 65 | 315 | 715 | 2,215 | 3,310 |
| Cumulative cash flow | | 555 | 1,620 | 3,985 | | 4,050 | 4,365 | 5,080 | 7,295 | |

| Fixed cash disbursements | Year 2 | Year 3 |
|---|---|---|
| Utilities | 140 | 160 |
| Salaries | 1,200 | 1,333.33 |
| Payroll Taxes&Benefits | 113.33 | 126.50 |
| Office supplies | 15 | 15 |
| Maintenance & Cleaning | 25 | 25 |
| Licenses | 5 | 5 |
| Boxes, paper, etc. | 20 | 20 |
| Telephone | 60 | 60 |
| Miscellaneous | 33.33 | 33.33 |
| Fixed cash disbursements (Quarterly average) | 4,835 | 5,335 |

(1) Year 2 delivery expenses computed at 2.62 percent of wholesale sales
Year 3 delivery expenses computed at 2.10 percent of wholesale sales

Note: As the wholesale business increases, it is anticipated that route efficiency will also increase, causing delivery expenses to decrease

## NOTES AND EXPLANATION FOR MARINER'S CATCH SEAFOODS, INC., INCOME PROJECTION

This section will–

- explain how the figures on the projection were calculated (see Annual Projected Income Statement);
- detail the assumptions that were made.

Numerical references have been made by line [e.g., (19) maintenance & cleaning].

(1) SALES: include sales of seafood and sales of ancillary products (seasonings, sauces, baitbags, bait).

(2) & (3) Wholesale, Retail: MARINER'S CATCH plans to service the wholesale trade more extensively than is shown here, although the trend has been built into the projection. Retail sales are expected to be more volatile than wholesale, leveling off at a capacity of $9,000/month due to space restrictions. The volatility is due to seasonal traffic, which builds up from late March to the late summer peak. The increase shown in the (2) wholesale trade are based on both the greater number of restaurants open in the summer and the intensive effort planned for the winter months, to sell directly to the many restaurants to which MARINER'S CATCH has not yet introduced their product. Sales for September 1979 were $5,450; so these figures are very conservative (perhaps more than they should be, but the degree of pessimism is a matter of judgment). Too much pessimism is also bad. It can distort a reasonable profit picture, and a reasonable deal may then appear infeasible.

(4) TOTAL: SALES is the sum of (2) and (3).

(5) Cost of material: MARINER'S CATCH inventory has an average cost of 70 percent of sales (including a start-up spoilage rate of 5 percent, which has been reduced to under 1 percent of sales). (5) has been calculated as 78 percent of sales to allow for the fluctuation of dockside fish prices during the winter.

(6) Variable Labor Cost: One part-time counter helper for summer weekends and one part-time cutter to help prepare seafood for restaurant trade at peak times.

(7) COST OF GOODS SOLD: Sum of (5) and (6).

(8) GROSS MARGIN: (4) minus (7).

(9) OPERTING EXPENSES

(10) Utilities: pro-rated by agreement with the utility companies involved. The expected pro-rated figure is $90 per month, but it may (probably will) increase.

(11) Salaries: $50 per week for each principal. This is an extremely low figure to which the principals have agreed in order to build up their business. This is a direct result of being undercapitalized.

(12) Payroll taxes and benefits: 9.5 percent of (11).

(13) Advertising: local newspaper and radio spots. This is an expense that they may profitably increase. They think (correctly) that a consistent, though modest, campaign will be more productive than a sporadically intensive campaign.

(15) Insurance: includes liability and key-person disability and life.

(16) Maintenance and cleaning: mainly supplies—a market such as theirs must meet stringent health codes.

(17) Legal and accounting: retainers to Mason Petrocelli, J.D. and Schwinn Farley, CPA.

(18) Delivery expense: delivery of merchandise to restaurants and other markets.

(19) Licenses: required by state and municipality.

(20) Boxes, paper, etc.: packaging supplies.

(21) Telephone: needed for sales, pricing, contacting both suppliers and market.

(22) Depreciation: accountant's figure for depreciation of plant and equipment. This is perhaps too low.

(23) Miscellaneous: operating expenses too small to be itemized.

(24) TOTAL: OPERATING EXPENSE: sum of (10) through (23).

(25) OTHER EXPENSES: non-operating costs broken out to give them special prominence.

(26) Interest (mortgage): $22,000 at 9.5 percent for 15 years.

(27) Interest (loan): SBA term loan of $8,500 at 10.75 percent (7 years) (SBA maximum guarantee for a business of this kind).

(28) TOTAL: OTHER EXPENSES: sum of (26) and (27).

(29) TOTAL: ALL EXPENSES: sum of (24) and (28).

(30) NET PROFIT (LOSS) PRE-TAX: (8) GROSS MARGIN minus (29) TOTAL: ALL EXPENSES.

Items (31) and (32) are omitted due to no tax due.

MARINER'S CATCH does not expect to make much money for the first two years of operation. For a business of this kind, particularly for one so severely undercapitalized, this is no surprise. Even if it were well-capitalized, with no debt at all, the NET PROFIT would have been only $3,000 for the year.

This is a PROJECTION based on conservative figures. In their plan for the year, Switzer and Swanson expect to have total fixed costs of $1,100/month, not the $1,225 projected, and sales figures 12.5 percent higher. Their BUDGETED net profit should be $2,680, not the PROJECTED net loss of $684. If their margin were to continue at 30 percent of sales, not the 22 percent projected, their net profit for the year would be $8,783, the "best case" assumption.

## QUARTERLY PROJECTED INCOME STATEMENT

### MARINER'S CATCH SEAFOODS, INC.
by quarters, years 2 & 3

| | 1st QTR Year 2 (Dec) | 2nd QTR Year 2 (Mar) | 3rd QTR Year 2 (Jun) | 4th QTR Year 2 Sept) | TOTAL Year 2 | 1st QTR Year 3 (Dec) | 2nd QTR Year 3 (Mar) | 3rd QTR Year 3 (Jun) | 4th QTR Year 3 (Sept) | TOTAL Year 3 |
|---|---|---|---|---|---|---|---|---|---|---|
| Sales | | | | | | | | | | |
| Wholesale | 14,800 | 16,000 | 18,000 | 20,000 | 68,800 | 18,000 | 20,000 | 22,000 | 24,000 | 84,000 |
| Retail | 21,000 | 21,000 | 22,000 | 27,000 | 91,000 | 21,000 | 21,000 | 22,000 | 27,000 | 91,000 |
| Total: Sales | 35,000 | 37,000 | 40,000 | 47,000 | 159,800 | 39,000 | 41,000 | 44,000 | 51,000 | 175,000 |
| Cost of material | 27,925 | 28,850 | 31,200 | 36,650 | 124,625 | 30,450 | 32,000 | 34,300 | 39,800 | 136,550 |
| Variable labor cost | 750 | 750 | 750 | 1,000 | 3,250 | 1,000 | 1,200 | 1,500 | 1,500 | 5,200 |
| Cost of goods sold | 28,675 | 29,600 | 31,950 | 37,650 | 127,875 | 31,450 | 33,200 | 35,800 | 41,300 | 141,750 |
| Operating expenses | | | | | | | | | | |
| Utilities | 420 | 420 | 420 | 420 | 1,680 | 480 | 480 | 480 | 480 | 1,920 |
| Salaries | 3,600 | 3,600 | 3,600 | 3,600 | 14,400 | 4,000 | 4,000 | 4,000 | 4,000 | 16,000 |
| Payroll taxes & benefits | 340 | 340 | 340 | 340 | 1,360 | 380 | 380 | 380 | 380 | 1,520 |
| Advertising | 180 | 180 | 180 | 180 | 720 | 180 | 180 | 180 | 180 | 720 |
| Office supplies | 45 | 45 | 45 | 45 | 180 | 45 | 45 | 45 | 45 | 180 |
| Insurance | 150 | 150 | 150 | 150 | 600 | 150 | 150 | 150 | 150 | 600 |
| Maintenance & cleaning | 75 | 75 | 75 | 75 | 300 | 75 | 75 | 75 | 75 | 300 |
| Legal & accounting | 185 | 185 | 185 | 185 | 740 | 185 | 185 | 185 | 185 | 740 |
| Delivery expense (1) | 387 | 420 | 471 | 524 | 1,802 | 378 | 420 | 462 | 504 | 1,764 |
| Licenses | 15 | 15 | 15 | 15 | 60 | 15 | 15 | 15 | 15 | 60 |
| Boxes, paper, etc. | 60 | 60 | 60 | 60 | 240 | 60 | 60 | 60 | 60 | 240 |
| Telephone | 180 | 180 | 180 | 180 | 720 | 180 | 180 | 180 | 180 | 720 |
| Depreciation | 120 | 120 | 120 | 120 | 480 | 120 | 120 | 120 | 120 | 480 |
| Miscellaneous | 100 | 100 | 100 | 100 | 400 | 100 | 100 | 100 | 100 | 400 |
| Total: Operating expenses | 5,857 | 5,890 | 5,941 | 5,994 | 23,682 | 6,288 | 6,330 | 6,372 | 6,414 | 25,404 |
| Other expenses: | | | | | | | | | | |
| Interest (mortgage) | 540 | 540 | 540 | 540 | 2,160 | 540 | 540 | 540 | 540 | 2,160 |
| Interest (loan) | 225 | 225 | 225 | 225 | 900 | 225 | 225 | 225 | 225 | 900 |
| Total: Other expenses | 765 | 765 | 765 | 765 | 3,060 | 765 | 765 | 765 | 765 | 3,060 |
| Total: All expenses | 6,685 | 6,685 | 6,685 | 6,685 | 26,742 | 7,125 | 7,125 | 7,125 | 7,125 | 28,500 |
| Net profit (loss) | | | | | | | | | | |

(1) Year 2 delivery expenses computed at 2.62 percent of wholesale sales
Year 3 delivery expenses computed at 2.10 percent of wholesale sales

Note: As the wholesale business increases, it is anticipated that route efficiency will also increase, causing delivery expenses to decrease

## MONTHLY PROJECTED INCOME STATEMENT

### MARINER'S CATCH SEAFOODS, INC.
October 19__ to September 19__

| | Oct. 19XX | Nov. 19XX | Dec. 19XX | Jan. 19XY | Feb. 19XY | Mar. 19XY | Apr. 19XY | May 19XY | June 19XY | July 19XY | Aug. 19XY | Sep. 19XY | TOTAL |
|---|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Sales** | | | | | | | | | | | | | |
| Wholesale | 1,000 | 1,200 | 1,400 | 1,600 | 1,800 | 2,200 | 2,400 | 2,800 | 3,100 | 3,100 | 3,300 | 3,500 | 27,400 |
| Retail | 3,000 | 3,100 | 3,100 | 2,900 | 2,700 | 2,800 | 3,300 | 3,700 | 3,900 | 3,900 | 4,000 | 4,000 | 40,400 |
| **Total: Sales** | 4,000 | 4,300 | 4,500 | 4,500 | 4,500 | 5,000 | 5,700 | 6,500 | 7,000 | 7,000 | 7,300 | 7,500 | 67,800 |
| Cost of material | 3,120 | 3,354 | 3,510 | 3,510 | 3,510 | 3,900 | 4,446 | 5,070 | 5,460 | 5,460 | 5,694 | 5,850 | 52,884 |
| Variable labor cost | | | | | | | | 200 | 200 | 200 | 200 | 100 | 900 |
| **Cost of goods sold** | 3,120 | 3,354 | 3,510 | 3,510 | 3,510 | 3,900 | 4,446 | 5,270 | 5,660 | 5,660 | 5,894 | 5,950 | 53,784 |
| **Gross margin** | 880 | 946 | 990 | 990 | 990 | 1,100 | 1,254 | 1,230 | 1,340 | 1,340 | 1,406 | 1,550 | 14,016 |
| Operating expenses: | | | | | | | | | | | | | |
| Utilities | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 100 | 1,200 |
| Salaries | 430 | 430 | 430 | 430 | 430 | 430 | 430 | 430 | 430 | 430 | 430 | 430 | 5,160 |
| Payroll taxes and benefits | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 480 |
| Advertising | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 480 |
| Office supplies | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 120 |
| Insurance | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 600 |
| Maintenance & cleaning | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 20 | 240 |
| Legal & accounting | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 42 | 500 |
| Delivery expense | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 110 | 1,320 |
| Licenses | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 5 | 60 |
| Boxes, paper, etc. | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 10 | 120 |
| Telephone | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 50 | 600 |
| Depreciation | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 40 | 480 |
| Miscellaneous | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 23 | 275 |
| **Total: Operating expenses** | 930 | 930 | 930 | 930 | 930 | 930 | 930 | 930 | 930 | 930 | 930 | 930 | 11,640 |
| **Other: Expenses:** | | | | | | | | | | | | | |
| Interest (mortgage) 9.75% | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 180 | 2,160 |
| Interest (loan) 10.75% | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 75 | 900 |
| **Total: Other expenses** | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 255 | 3,060 |
| **Total: All Expenses** | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 1,225 | 14,700 |
| Net profit (loss) before taxes | (345) | (279) | (235) | (235) | (235) | (125) | 29 | 5 | 115 | 115 | 181 | 325 | (684) |
| | | | | | | (1,454) low point | | | | | | | |
| Taxes | | | | | | | | | | | | | |
| Net profit (loss) | | | | | | | | | | | | | |

## NOTES AND EXPLANATION FOR MARINER'S CATCH SEAFOODS, INC., CASH FLOW PROJECTION

The only receipts shown on this cash flow are from sales. LOAN PROCEEDS are shown on line 36 in the cash balance reconciliation. This data sheet shows how *business operations* affect the cash flow. Since most purchases of inventory are made on a cash basis (cash or 10-day net) the principals of MARINER'S CATCH plan to have a minimum of $2,500 available to provide liquidity and to purchase additional equipment, if needed. Otherwise, line 41 is only used as a quick check on whether they are following their budget or not.

References are to line numbers on the accounting sheet unless otherwise noted (page 30).

(3) Wholesale: see INCOME PROJECTION for derivation of these figures.

(4) Retail: see INCOME PROJECTION for derivation of these figures.

(7) Cost of goods: 78 percent of line (5).

(8) Variable labor: $200 per month from May to mid-September to handle the extra tourist traffic on weekends and extra seafood preparation costs associated with two restaurants that do weekend clambakes during peak season.

(9) Advertising: $100 for initial burst, $25 per month thereafter.

(10) Insurance: payable quarterly.

(11) Legal & accounting: retainers payable quarterly.

(12) Delivery expense: projected to increase less slowly than wholesale sales due to careful route planning.

(13) Fixed cash disbursements: cash expenses that do not vary with sales. See lines (20) through (29) for details.

(14) Loan #1: $8,500 SBA guaranteed loan at 10.75 percent for 7 years.

(15) Mortgage: $22,000 at 9.5 percent for 15 years.

(17) NET CASH FLOW: line 5 minus line 16.

(18) CUMULATIVE CASH FLOW: this sums up the NET CASH FLOW on a monthly basis, adding the current month NCF to the previous month's CCF. (This is useful on a periodic basis—quarterly, semiannually, and annually, for instance.)

Further explanation of these items appears in the notes accompanying the income projection.

**ASSESSMENT**

A. On a separate piece of paper, number from 1-20. Place a check next to the number for every statement that describes a contribution that the Business Plan makes to the entrepreneur.

1. Provides records for federal income tax returns
2. Helps establish a credit rating for the business
3. Leads to a sound business structure
4. Helps the buyer select merchandise
5. Provides arguments for buying a franchise
6. Clarifies financial needs
7. Serves as a communication tool
8. Helps set up employee interviews for employment
9. Identifies a management pathway
10. Produces a marketing plan

B. Classify each of the following questions into the proper category by matching the section number (Roman numeral) to the questions.

**Sections**

I. Description of the business
II. Marketing plan
III. Organization plan
IV. Financial plan

**Questions**

11. How will you promote sales?
12. What type of business opportunity is it?
13. How are your competitors currently prospering?
14. What are the features of the location?
15. Who are your best suppliers?
16. What is the break-even point?
17. How will you control finances? Keep records?
18. What will it cost you to open your business and sustain it for 18 months?

19. What are the factors you considered in building requirements?

20. Who will manage the business?

**SOURCES USED TO DEVELOP THIS UNIT**

U.S. Small Business Administration. *Business Plan for Small Manufacturers.* Management Aids Number 2.007. Washington, DC: U.S. Government Printing Office, 1982.

_____. *Business Plan for Small Construction Firms.* Management Aids Number 2,0008. Washington, DC: U.S. Government Printing Office, 1982.

_____. *Business Plan for Retailers.* Management Aids Number 2.020. Washington, DC: U.S. Government Printing Office, 1982.

_____. *Business Plan for Small Service Firms.* Management Aids Number 2.022. Washington, DC: U.S. Government Printing Office, 1982.

For further information, consult the lists of sources in the *Resource Guide.*

# PACE

Unit 1. Understanding the Nature of Small Business

Unit 2. Determining Your Potential as an Entrepreneur

Unit 3. Developing the Business Plan

Unit 4. Obtaining Technical Assistance

Unit 5. Choosing the Type of Ownership

Unit 6. Planning the Marketing Strategy

Unit 7. Locating the Business

Unit 8. Financing the Business

Unit 9. Dealing with Legal Issues

Unit 10. Complying with Government Regulations

Unit 11. Managing the Business

Unit 12. Managing Human Resources

Unit 13. Promoting the Business

Unit 14. Managing Sales Efforts

Unit 15. Keeping the Business Records

Unit 16. Managing the Finances

Unit 17. Managing Customer Credit and Collections

Unit 18. Protecting the Business

Resource Guide

Instructors' Guide

Units on the above entrepreneurship topics are available at the following three levels:

- Level 1 helps you understand the creation and operation of a business
- Level 2 prepares you to plan for a business in your future
- Level 3 guides you in starting and managing your own business

OSU

The Ohio State University